



DCMA

ACQUISITION INSIGHT  GLOBAL ENGAGEMENT

DEFENSE PRIORITIES AND ALLOCATIONS SYSTEM (DPAS) TRAINING

Prepared by the Manufacturing and Supply Chain Predictability Center

Dated: July 2010

HQ DPAS Officer: Raymond Cervantes

- **Purpose**
- **What is DPAS**
 - **Definitions, Regulatory Requirements**
- **How DPAS Works**
 - **Ratings, Key Elements, Priority Scheduling, Forms**
- **DCMA Responsibilities**
 - **Assignments, Reporting Requirements**

- **This training was developed to explain what DPAS is, how it works, and identify Contractor and DCMA responsibilities.**
- **Intended Audience:**
 - **Contractors**
 - **DCMA CMOs**

What is DPAS

- **Defense Priority & Allocations System regulation implements the priorities and allocations authority of the Defense Production Act.**
- **This authority pertains to Title VI of the Stafford Act, and the priorities authority of the Selective Service Act and related statutes, all with respect to industrial resources.**

- **Approved Programs-** a program determined as necessary or appropriate for priorities and allocations support to promote the national defense by the Secretary of Defense
- **Delegate Agency-** a government agency authorized by delegation from the Dept of Commerce to place priority ratings on contracts or orders needed to support the approved programs
- **Industrial Resources-** all materials, services and facilities, including construction materials, the authority for which has been delegated to other agencies
- **Item-** any raw, in process, or manufactured material, article, commodity, supply, equipment, component, accessory, part, assembly, or product of any kind, technical information, process or service



- **Operating Supplies-** are any items carried as operating supplies according to person's established accounting practice. May include hand tools & expendable tools, jigs, dies, fixtures used on production equipment, lubricants, cleaners & chemicals
- **Official Action-** an action taken by the Dept of Commerce under the authority of the Defense Production Act and related statutes, and this regulation
- **Person-** any individual, corporation, partnership, association, or any other organized group of persons or legal successor or representative
- **Rated order-** a prime contract, a subcontract or a purchase order in support of an approved program issued in accordance with the provisions of this regulation

- **Assure the timely availability of industrial resources (and associated services) to meet current national defense and emergency preparedness program requirements**
- **Provide an operating system to support rapid industrial response in a national emergency**
- **Minimize disruption to normal commercial activities**
- **Not limited to crises, emergency, or armed conflict**

Defense Production Act

- **The Defense Production Act (DPA) is the President's primary authority to mobilize resources and expedite critical industrial items from the private sector.**
- **The Defense Production Act use does not require an emergency declaration.**

Defense Production Act

- **Under Title I of the DPA, the President is authorized to require preferential acceptance and performance of contracts or orders (other than contracts of employment) supporting certain approved national defense and energy programs, and to allocate materials, services, and facilities in such a manner as to promote these approved programs.**

Defense Production Act

- **The act contains three major sections:**
 - **The first authorizes the President to require businesses to sign contracts or fulfill orders deemed necessary for national defense.**
 - **The second authorizes the President to establish mechanisms (such as regulations, orders or agencies) to allocate materials, services and facilities to promote national defense.**
 - **The third section authorizes the President to control the civilian economy so that scarce and/or critical materials necessary to the national defense effort are available for defense needs.**



- **The DPA's definition of "national defense" includes**
programs for military and energy production or construction, military or critical infrastructure assistance to any foreign nation, homeland security, stockpiling, space, and any directly related activity.

Section 201 of Executive Order 12919 delegates the authority granted the President in Section 101 of the DPA



Agriculture Defense

*Food Resources and Related Facilities,
Domestic Distribution of Farm Equipment
and Commercial Fertilizer*



Defense

Water Resources



Energy

All Forms of Energy



Transportation

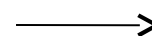
*All Forms of Energy Civil
Transportation*



Health and Human Services

Health Resources

**DPA
S**



Commerce

*All other materials, Services &
Facilities
(Including Construction
Materials)
Generally called "industrial
resources"*



- **Section 202 of Executive Order 12919 authorizes three agency heads to make the determination that a program is necessary or appropriate to promote the national defense:**
 - **Secretary of Defense**
 - **Secretary of Energy**
 - **Secretary of Homeland Security**

- **The Department of Commerce (DOC) delegates the authority to place priority ratings on contracts/orders (rated orders) necessary or appropriate to promote the national defense, in accordance with the DPAS regulation (15 CFR Part 700).**

DPAS Compliance

- **DOC works closely with the DPAS Delegate Agencies (DOD, DOE, and DHS) to ensure compliance with DPAS regulation.**
- **A willful violation of the DPAS regulation (15 CFR Part 700) may be punished with a fine of up to \$10,000, 1 year in prison, or both under the provisions of the Defense Production Act (DPA).**

How DPAS Works

Elements of a Rated Order

- **Manually or electronically placed contracts or purchase orders which contain:**
 - **Priority Rating [Rating symbol (DX or DO) + Program ID]**
 - **Required Delivery Date or Dates**
 - **Authorized Written or Digital Signature**
 - **Certification Statement :**

This is a rated order certified for national defense use, and you are required to follow all the provisions of the Defense Priorities and Allocations System regulation (15 CFR Part 700).

Priority Ratings

- **DPAS rules are standard part of U.S. defense contracting process:**
 - **(DX) Highest national defense urgency**
 - All DX rated orders have equal priority and take preference over DO and unrated orders (based on ship schedule)
 - **(DO) Critical to national defense**
 - All DO rated orders have equal priority and take preference over unrated orders (based on ship schedule)
- **Program ID represents an approved program and delegated DPAS agency, Examples: A1, G2, N7**

DPAS Key Elements

- **Mandatory Acceptance or Rejection of Rated Orders (Section 700.13)**
- **Preferential Scheduling (Section 700.14)**
- **Extension of Priority Ratings (Section 700.15)**
- **Limitations on Placing Rated Orders (Section 700.18)**
- **DPAS Compliance (Section 700.70-75)**
- **Protection Against Claims (Section 700.90)**

DPAS Key Elements

- **Acceptance of Rated Orders:**
 - **Mandatory Acceptance - A person shall accept every rated order received and must fill such orders regardless of any other rated or unrated order that have been accepted.**
 - **A person shall not discriminate against rated orders in any manner, such as by charging higher prices or by imposing different terms and conditions than for comparable unrated orders.**

DPAS Key Elements

- **Rejection of Rated Orders:**
 - **Mandatory Rejection - A person may not accept a rated order for delivery on a specific date if unable to meet that date.**
 - **However, the person must inform the customer of the earliest date on which delivery can be made and offer to accept the order on the basis of that date.**
 - **The existence of previously accepted unrated or lower rated orders is not sufficient reason for rejecting a rated order.**
 - **A person shall not accept a DO rated order for a delivery date which would interfere with delivery of any previously accepted DO or DX rated orders. Person must offer to accept the order based on earliest delivery date otherwise possible.**



DPAS Key Elements

- **Rejection of Rated Orders (cont):**
 - **A person shall not accept a DX rated order for delivery on a date which would interfere with the delivery of previously accepted DX rated order but must offer to accept the order based on earliest delivery due date otherwise possible.**
 - **If a person is unable to fill all the rated orders of equal priority status received on the same day, the person must accept , based upon the earliest delivery dates, only those orders which can be filled and reject the other orders.**

DPAS Key Elements

- **Optional Rejection - A company may reject a rated order in any of the following cases as long as it does not discriminate among customers:**
 - **if the customer placing the order is unwilling or unable to meet regularly established terms of sale or payment;**
 - **if the order is for an item not supplied or a service not performed;**
 - **if the order is for an item produced, acquired, or provided only for the company's own use for which no orders have been filled for two years prior to the date of the receipt of the rated order.**



DPAS Key Elements

- **Optional Rejection (cont.):**
 - **If the company has sold some of these items, it must accept rated orders up to the quantity or portion of production, whichever is greater, sold within the past two years; or**
 - **if the customer placing the order, other than the U.S. Government, makes the item or performs the service being ordered.**
 - **If acceptance of a rated order or performance against a rated order would violate any other regulation, official action, or order of the Department of Commerce issued under the authority of the Defense Production Act or the Selective Service Act and related statutes.**

DPAS Key Elements

- **Customer Notification - A company must accept or reject a rated order and transmit the acceptance or rejection (in writing or electronically) to the customer placing the order**
 - **within 15 working days after receipt of a “DO” rated order and 10 working days after receipt of a “DX” rated order.**
 - **If the order is rejected, a company must provide the reasons for the rejection.**
 - **If a company has accepted a rated order and subsequently finds that the shipment or performance will be delayed, the company must notify the customer immediately, give the reasons for the delay, and advise of new shipment or performance date.**

DPAS Key Elements

- **Preferential Scheduling**
 - **A company in receipt of a rated order must schedule operations, including the acquisition of all needed production items, in order to satisfy the delivery requirements of each rated order.**
 - **Companies are required to reschedule unrated orders if they conflict with performance against a rated order and must reschedule “DO” rated orders if they conflict with performance against a “DX” rated order.**

- **Preferential Scheduling**
 - **Example:** If a company receives a DO rated order with a delivery date of June 3 and if meeting that date would mean delaying production or delivery of an item for an unrated order, the unrated order must be delayed.
 - **Example:** If a DX rated order is received requiring delivery on July 15 and a DO rated order is requiring delivery on June 2, yet the contractor can meet both deliveries, there is no need to alter production schedules to give any additional preference to the DX rated order.

DPAS Key Elements

- **Extension of Priority Rating**
 - **A person must use rated orders with suppliers to obtain items needed to fill a rated order.**
 - **The priority rating must be included on each successive order placed to fill customer's rated order. This continues from contractor to subcontractor to supplier throughout the entire procurement chain.**
- **Changes or cancellation of priority ratings and rated order**
 - **The priority rating on a rated order may be changed or canceled by an official action of the Dept of Commerce or written notification from the person who placed the order.**

DPAS Key Elements

- **Use of Rated Orders**
 - **A rated order must be used to obtain the following:**
 - **Items which will be physically incorporated into other items to fill rated orders**
 - **Containers or other packaging materials required to make delivery of the finished items against the rated orders**
 - **Services other than contracts of employment, needed to fill rated orders**
 - **Maintenance & repair & operating supplies (MRO) needed to produce the finished items to fill rated orders**

DPAS Key Elements

- **Use of Rated Orders (cont.)**

- **A person may use a rated order to replace inventoried items**

(including finish items) if such items were used to fill rated orders as follows:

- **The order must be placed within 90 days of the date of the use of the inventory.**
- **A DO rating symbol and the program identification symbol indicated customer's rated order must be used on the order. A DX rating symbol may not be used even if the inventory was used to fill a DX rated order.**
- **If the priority rating on rated orders from one customer or several customers contain different program identification symbols, the rated orders may be combined.**



DPAS Key Elements

- **Use of Rated Orders (cont.)**
 - **A person may combine DX & DO rated orders from one customer or several customers if the items covered by each level of priority are identified separately and clearly.**
 - **Combining rated & unrated orders - a person may combine rated and unrated order quantities on one purchase order provided that:**
 - **The rated quantities are separately and clearly identified**
 - **The four elements of a rated order are included**

DPAS Key Elements

- **Limitation on Placing Rated Orders**
 - **Rated orders may not be used to obtain:**
 - **Delivery on a date earlier than needed**
 - **A greater quantity of the item than needed, except to obtain a minimum procurable quantity**
 - **Production or construction equipment or items for plant improvement, expansion, or construction (unless authorized by DOC)**
 - **Items not delegated to DOC under E.O. 12919**
 - **Any items related to the development of chemical or biological warfare capabilities or the production of chemical or biological weapons**

DPAS Key Elements

- **Limitation on Placing Rated Orders (cont.)**
 - **Civilian items for resale in Military exchanges or the packaging of such items;**
 - **Any end items that are commonly available in commercial markets for general consumption; do not require major modification when purchased for approved program use; and are readily available in sufficient quantities so as to cause no delay in meeting approved program requirements**
 - **Any items used primarily for administrative purposes, such as for personal or financial management**



DPAS: Largely Self-Regulating

- **DPAS flow down of rated orders continues throughout the entire procurement chain**
- **DPAS strength realized via flow down to subcontractors and suppliers**
- **Requires prime contractors to extend ratings to lower tiers**
- **Only enforceable inside the U.S.**

DCMA Oversight is Essential

Priorities/Allocations Assistance

- **The DPAS regulation (15 CFR Part 700) provides guidance on how government agencies, foreign governments, owners and operators of critical infrastructure, or companies may request authorization to place priority ratings on their contracts and orders with U.S. firms.**

Special Priorities Assistance

- **Criteria for Assistance**

- Request for assistance should be timely
- An urgent need for the item
- Resolve at Lowest Level Possible

- **Examples of Assistance**

- Experiencing difficulty in obtaining delivery against a rated order
- Cannot locate a supplier for an item needed to fill a rated order
- Ensuring rated orders receive preferential treatment
- Resolving production or delivery conflicts between various rated orders
- Assisting in placing rated orders with suppliers

DCMA Special Priorities Assistance Form

DEFENSE CONTRACT MANAGEMENT AGENCY

FORM BIS 999 (formerly form BXA-999)
REV. 4-03

U.S. DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY

FOR DOC USE OMB NO. 0694-0057

REQUEST FOR SPECIAL PRIORITIES ASSISTANCE

READ INSTRUCTIONS ON LAST PAGE
FILL OUT USING YOUR COMPUTER

CASE NO. _____
RECEIVED _____
ASSIGNED TO _____

Submission of a completed application is required to request Special Priorities Assistance (SPA). See sections 700.50-55 of the Defense Priorities and Allocations System (DPAS) regulation (15 CFR 700). It is a criminal offense under 18 U.S.C. 1001 to make a willfully false statement or representation to any U.S. Government agency as to any matter within its jurisdiction. All company information furnished related to this application will be deemed BUSINESS CONFIDENTIAL under Sec. 705(d) of the Defense Production Act of 1950 [50 U.S.C. App. 2155(d)] which prohibits publication or disclosure of this information unless the President determines that withholding it is contrary to the interest of the national defense. The Department of Commerce will assert the appropriate Freedom of Information Act (FOIA) exemptions if such information is the subject of FOIA requests. The unauthorized publication or disclosure of such information by Government personnel is prohibited by law. Violators are subject to fine and/or imprisonment. [Note: The Bureau of Export Administration is now the Bureau of Industry and Security (BIS).]

1. APPLICANT INFORMATION

a. Name and complete address of Applicant (Applicant can be any person needing assistance - Government agency, contractor, or supplier. See definition of "Applicant" in Footnotes section on last page of this form).	b. If Applicant is not end-user Government agency, give name and complete address of Applicant's customer.
Applicant Name <u>Chinook Program Office</u>	Customer Name _____
Address <u>Ministry of Defense</u>	Address _____
City _____ State _____ Zip _____	City _____ State _____ Zip _____
Contact's name _____	Contact's name _____
Title _____	Title _____
Telephone _____ Fax _____	Telephone _____ FAX _____
E-mail address: _____	Contract/purchase order no. _____
	Dated _____ Priority rating _____

2. APPLICANT ITEM(S). If Applicant is not end-user Government agency, describe item(s) to be delivered by Applicant under its customer's contract or purchase order through the use of item(s) listed in Block 3. If known, identify Government program and end-item for which these items are required. If Applicant is end-user Government agency and Block 3 item(s) are not end-items, identify the end-item for which the Block 3 item(s) are required. See definition of "item" in Footnotes section on last page of this form.

3. ITEM(S) (including service) FOR WHICH APPLICANT REQUESTS ASSISTANCE

Quantity <i>Pieces, units</i>	Description <i>Include identifying information such as model or part number</i>	Dollar Value <i>Each quantity listed</i>
13	Transducer, Part Number 00-05004-001	\$11,163.00

4. SUPPLIER INFORMATION

a. Name and complete address of Applicant's Supplier.	b. Applicant's contract or purchase order to Supplier.
Supplier Name <u>ABC Systems</u>	Number <u>abcde-C-123456</u>
Address <u>108 Michales Ave</u>	Dated <u>January 1, 2008</u>
City <u>Syracuse</u> State <u>NY</u> Zip <u>13208</u>	Priority rating <u>none</u> (If none, so state)
Contact Name <u>John Smith</u>	<i>If Supplier is an agent or distributor, give complete producer or lower tier supplier information in Continuation Block on page 3, including purchase order number, date, and priority rating (if none, so state).</i>
Title _____	
Telephone <u>(703) 601-5007</u> Fax <u>(703) 607-4126</u>	
E-mail address: <u>john.smith@abcsys.com</u>	

5. SHIPMENT SCHEDULE OF ITEM(S) SHOWN IN BLOCK 3

a. Applicant's <u>original</u> shipment/performance requirement	Month Year	May-2008	Jun-2008				Total units
	Number of units	13	12				25
b. Supplier's <u>original</u> shipment/performance promise	Month Year	Apr-2009	May-2009				Total units
	Number of units	13	12				25
c. Applicant's <u>current</u> shipment/performance requirement	Month Year	Aug-2008	Sep-2008	Oct-2008			Total units
	Number of units	13	6	6			25
d. Supplier's <u>current</u> shipment/performance promise	Month Year	Apr-2009					Total units
	Number of units	25					25

6. REASONS GIVEN BY SUPPLIER for inability to meet Applicant's required shipment or performance date(s).

Unable to achieve expedites as suppliers have US Government orders with DPAS rating on them. Items not due until 27 April 2009. Contract has been expedited.

7. BRIEF STATEMENT OF NEED FOR ASSISTANCE. As applicable, explain effect of delay in receipt of Block 3 item(s) on achieving timely shipment of Block 2 item(s) (e.g., production line shutdown), or the impact on program or project schedule. Describe attempts to resolve problems and give specific reasons why assistance is required. If priority rating authority is requested, please so state.

Any slip in delivery date or loss of items to third parties will have a dramatic effect on Ministry of Defense Chinook fleet and degrade readiness.

8. CERTIFICATION: I certify that the information contained in Blocks 1 - 7 of this form, and all other information attached, is correct and complete to the best of my knowledge and belief (omit signature if this form is electronically generated and transmitted - use of name is deemed certification).

Signature of Applicant's authorized official _____ Title _____
Print or type name of authorized official _____ Date _____

Special Priorities Assistance

- **Instances Where Assistance May Not Be Provided**
 - **SPA requests should not seek to:**
 - **Secure a price advantage**
 - **Obtain delivery prior to the time required to fill a rated order**
 - **Gain competitive advantage**
 - **Overcome a supplier's regularly established terms of sale or conditions of doing business**

Miscellaneous Provisions

- **Protection Against Claims**
 - **A company shall not be held liable for damages or penalties for any act or failure to act resulting directly or indirectly from compliance with the DPAS or official DPAS action**
- **Records and Reports**
 - **Persons are required to make and preserve for at least three years**
 - **Records must be maintained in sufficient**
 - **Must be made available for examination on demand authorized representatives of Commerce**

DCMA Responsibilities

- **DCMA HQ**
 - **Appoint DPAS Officer and Alternate**
- **DCMA Regional Office**
 - **Appoint DPAS Officer and Alternate**
- **Contract Management Office (CMO)**
 - **Appoint DPAS Officer and Alternate**

- **DPAS Officer**
 - **Provide training to the contractor when required**
 - **Notify the DCMA HQ DPAS Officer when violations occur.**
 - **Notify the PCO when the contractor encounters problems that might cause delinquent deliveries**
 - **Document cases when cognizant contractor refuses or is unable to comply with DPAS and forward records to procuring activity DPAS officer**

- **DPAS Officer**
 - **Advise contractors to prepare requests for Special Priorities Assistance (SPA) when appropriate and when other expediting methods were unsuccessful**
 - **Meet with contractor management when they consistently fail to meet DPAS to inform, educate & determine resolution**
 - **Issue corrective action requests to the contractor when they violate DPAS regulation with a copy to the DCMA HQ DPAS Officer**

- **Functional Specialist**
 - **Review contracts for DPAS requirements**
 - **Review whether contractor complies with DPAS on all rated orders, prime contracts, subcontracts & purchase orders**
 - **Confirm that rated orders receive preferential treatment**
 - **Review contractor's processes and systems to ensure identification of DPAS contracts**
 - **Check the contractor's work schedules to ensure they prioritize their delivery schedules appropriately**
 - **Notify CMO DPAS officer when contractor fails to meet DPAS regulations**
 - **Issue Corrective Action Request to contractor for DPAS violations and copy CMO DPAS Officer**

- ***Functional Specialist (cont.)***
 - ***Document contractor refusal or inability to comply with DPAS and forward it to the Buying Activity for action.***
 - ***Sample to ensure flow-down of DPAS requirement to all within the supply chain***
 - ***If noncompliance is at subcontract level, a delegation should be issued for surveillance at the subcontract level***
 - ***Request assistance from ACO.***
- ***Possible ACO actions:***
 - ***Withholding of Progress Payments***
 - ***Purchasing System Review, Small Business Plan Review***
 - ***Issuance of priced modifications if schedules are delinquent***

- **Contractors receiving DPAS rated orders must comply with the following:**
 - **Must give rated orders preferential treatment over unrated orders**
 - **All rated orders must be scheduled to the extent possible to ensure delivery by the required delivery date**
 - **Flow DPAS requirements to all sub-tier suppliers within the supply chain**
 - **Must be thoroughly familiar with the DPAS regulation and must comply**
 - **All rated orders shall be accepted and must be filled regardless of any other rated or unrated orders have been accepted**

Corrective Action Requests

- **Typical Corrective Action Issues**
 - **Lack of flow-down to the subcontractors**
 - **Contractor's internal processes or systems do not identify rated versus non-rated orders**
 - **Commercial (non-rated) orders prioritized over DPAS rated orders**
 - **DO rated orders prioritized over DX rated orders**
 - **Contractor fails to inform the buying activity in advance of rated orders being shipped late**
 - **Late deliveries of DPAS rated orders**

- **DPAS DX/DO Reported Violations**
 - **Track all DX/ DO rating violations and report to HQ quarterly (DPAS Officer)**
- **Region Requirements:**
 - **Each Region to appoint a DPAS Officer; provide name and contact information to HQ DPAS Officer**
 - **Provide copies of CARs for DX or DO rated orders quarterly to HQ/DPAS Officer**

Reporting Requirements

- **Formula:**
 - **Percentage of DX or DO violations = DX or DO violations / # contracts with DX or DO rating**
- **The following information is required every quarter:**
 - **Type of DPAS requirement (DX or DO)**
 - **Region DPAS Officer**
 - **Name of contractor**
 - **Brief description of incident and actions taken to remedy**
 - **Current Status**
 - **Customer**
 - **Contract Number (if PO, name of prime & related contract)**
 - **Program**

- **Manufacturing & Supply Chain Predictability Center**
 - **Primary HQ DPAS Officer Ray Cervantes - (626) 812-1335**
 - **Alternate HQ DPAS Officer Mike Salcido - (626) 812-1838**
- **References**
 - **Department of Commerce Regulation**
 - **15 CFR 700**
 - **DOD Priorities and Allocation Manual**
 - **DoD 4400.1M**
 - **Manufacturing & Production Guidebook/ Instruction**
 - **DAU CBT CLC 043, Defense Priorities & Allocations Systems Training Module**